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**2 DIAMOND DISTRICT DEALERS SENTENCED TO FEDERAL PRISON
FOR ROLES IN MASSIVE CHECK-KITING SCHEME**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, announced today that PINHAS BEN-ARI and DAVID KLEIN, diamond dealers who operated in Manhattan's Diamond District, located on 47th Street between 5th and 6th Avenues, were sentenced this week in Manhattan federal court to 24 months' and 41 months' imprisonment, respectively.

KLEIN was sentenced today by United States District Judge HAROLD BAER, Jr. BEN-ARI's sentencing took place before Judge BAER on Tuesday of this week. The sentences are the result of guilty pleas entered by BEN-ARI and KLEIN in June of 2004.

BEN-ARI and KLEIN are among five diamond dealers who have been convicted of charges of conspiracy and bank fraud stemming from a massive check kiting scheme in the Diamond District that operated from November 1999 through March 2001. Jacob Haas and Sammy Maslaton, two other diamond dealers charged separately, pled guilty to various conspiracy and bank fraud charges last year. Isaac Dayan, a wholesale diamond dealer, was

convicted of one count of conspiracy to commit bank fraud and two counts of bank fraud following a jury trial last month.

On December 15, 2003, an Indictment was filed against KLEIN, BEN-ARI, and Dayan, alleging that the defendants, along with other co-conspirators including Haas and Maslaton, exchanged tens of millions of dollars worth of checks purportedly representing legitimate business sales but which were, in reality, mere money transfers. The purposes of the check exchanges, according to the Indictment, were, among others: to artificially inflate the bank account balances of the conspirators' businesses, thereby permitting the conspirators to withdraw funds to which they were not entitled; and to artificially inflate the sales figures of the conspirators' businesses, thereby permitting the conspirators to seek, renew and increase lines of credit for the conspirators' businesses.

The Indictment alleged and the evidence at Dayan's trial proved that, for the purpose of disguising the nature of the check exchanges, KLEIN, BEN-ARI, Dayan, Haas, Maslaton and other conspirators created "triangles" or multi-point exchanges, in which each defendant drafted, exchanged, and received checks of roughly equivalent value on or about the same days.

As detailed in the October 9, 2003, criminal Complaint filed against KLEIN, BEN-ARI, and Dayan, from January 2000 through April 2001, KLEIN issued checks to his co-conspirators

totaling more than \$53 million, and BEN-ARI issued checks to his co-conspirators totaling more than \$10 million. The evidence at the criminal trial of Dayan showed that, in 2000 alone, Dayan exchanged approximately \$56 million in checks as part of the kiting scheme. As detailed in a criminal Complaint filed against Haas on March 21, 2003, Haas exchanged checks worth tens of millions of dollars with his co-conspirators.

As alleged in the charging instruments filed in these related cases, and as the proof at Dayan's trial established, the co-conspirators attempted to obtain and did obtain millions of dollars through lines of credits from various banks by using their check-kiting scheme to fraudulently inflate their businesses' bank account balances and sales figures. For example, trial evidence established that: in May 1998, KLEIN obtained a \$400,000 line of credit from the Merchants Bank of New York, and later increased the line of credit to \$2 million based on his fraudulently inflated sales figures for his diamond business; in June 1999, Haas obtained a \$1,300,000 line of credit with Antwerpse Diamantbank, N.V., and later increased the line to \$3 million based on his fraudulently inflated sales figures and accounts receivables for his diamond business; Dayan obtained a \$75,000 line of credit with Chase Manhattan Bank in April 1999, a \$100,000 line of credit with North Fork Bank in October 1999, and

a \$100,000 line of credit with Fleet National Bank in November 2000, all of which were based on his fraudulently inflated sales figures for his diamond business. Maslaton and BEN-ARI also obtained loans based on fraudulently inflated financial information.

KLEIN, 49, owner of Dajoy Diamonds, Inc., formerly located at 580 Fifth Avenue in the Diamond District, pled guilty before United States District Judge BAER on June 9, 2004, to one count of conspiracy to commit bank fraud and one count of bank fraud. In addition to sentencing KLEIN to the 41-month prison term, Judge BAER ordered him to pay \$1,995,000 in restitution to Valley National Bank.

BEN-ARI, 57, an owner of Yardi Diamonds, formerly located at 580 Fifth Avenue in the Diamond District, pled guilty on June 10, 2004, also before Judge BAER, to an Information filed that same date charging him with one count of conspiracy to commit bank fraud. In addition to sentencing BEN-ARI to the 24-month prison term, Judge BAER ordered him to pay \$1,360,000 in restitution to Valley National Bank.

Haas, 54, owner of a wholesale diamond business in his own name formerly located at 580 Fifth Avenue in the Diamond District, pled guilty on April 29, 2004, before Magistrate Judge GABRIEL GORENSTEIN, to an Information filed that same date

charging him with one count of conspiracy to commit bank fraud, two counts of bank fraud, and one count of bribing bank officials. Haas faces a maximum term of 5 years' imprisonment on the conspiracy charge, 30 years' imprisonment on each of the two bank fraud charges, and 5 years' imprisonment on the bribery charge.

Maslaton, 24, owner of A.L.P.S., Inc., a wholesale diamond business in the Diamond District, pled guilty on April 15, 2004, before United States District Judge KEVIN P. CASTEL, to an Information filed that same date charging him with one count of conspiracy to commit bank fraud and two counts of bank fraud. Maslaton faces a maximum term of 5 years' imprisonment on the conspiracy charge and 30 years' imprisonment on each of the two bank fraud charges.

Dayan, 49, owner of Fortune Diamonds Importers, Inc. and Nes Diamond Corp., both located at 15 West 47th Street in the Diamond District, was convicted on one count of conspiracy to commit bank fraud and two counts of bank fraud following a two-week jury trial in December of 2004 before Judge BAER. The jury acquitted Dayan of an additional bank fraud charge. Dayan faces a maximum term of 5 years' imprisonment on the conspiracy charge

and 30 years' imprisonment on each of the two bank fraud charges and is scheduled to be sentenced on April 7, 2005.

The charges were the result of an investigation conducted by the New York Field Office of the Federal Bureau of Investigation.

Mr. KELLEY praised the investigative efforts of the FBI and said the investigation is continuing.

Assistant United States Attorneys DANIEL S. RUZUMNA and MARC A. WEINSTEIN are in charge of the prosecution.

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